

Executive Summary

**Increasing Employment Stability and Earnings
for Low-Wage Workers**

**Lessons from the Employment Retention
and Advancement (ERA) Project**

OPRE Report 2012-19

April 2012

Office of Planning, Research and Evaluation (OPRE)
Administration for Children and Families
U.S. Department of Health and Human Services

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Lessons from the Employment Retention
and Advancement (ERA) Project**

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Overview

Many recipients of Temporary Assistance for Needy Families (TANF) and other low-income individuals find or keep jobs for a while, but far fewer remain steadily employed and advance in the labor market. The Employment Retention and Advancement (ERA) project was launched in 1999 to identify and determine the effectiveness of different program strategies designed to promote employment stability and earnings growth among current or former welfare recipients and other low-income individuals. The study was conceived and funded by the Administration for Children and Families in the U.S. Department of Health and Human Services; supplemental support was provided by the U.S. Department of Labor, and the evaluation was conducted by MDRC.

Using random assignment research designs, ERA tested 16 different program models in eight states and estimated effects over a three- to four-year follow-up period. The focus of this synthesis is primarily on the 12 programs that targeted more employable groups, as opposed to “harder-to-employ” groups, such as individuals with known disabilities. Three of these 12 programs produced consistent increases in individuals’ employment retention and advancement, and the others did not. The project points to some strategies that succeeded in improving retention and earnings among low-income single parents and provides some lessons. Key ones include:

- Supporting employment stability is likely to be a more effective strategy than encouraging job stability — that is, staying employed in the same job.
- Earnings supplements, tied to job retention and that help to make low-wage work pay, ideally coupled with job coaching, can promote sustained employment and advancement.
- By themselves, counseling and referrals to services to help people stay employed do not appear to increase employment retention and advancement.

Although the ERA project found that some strategies can improve low-income individuals’ employment and earnings, the improvements were not transformational. The majority of the programs tested did not improve participants’ retention and advancement, and most sample members remained poor or near-poor at the end of the study. Much is left to learn about how best to foster upward mobility for the millions of low-wage workers across the nation and lift them and their families out of poverty.

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At MDRC, we wish to acknowledge the many staff whose thorough and dedicated work on the ERA project over a number of years is drawn upon in this synthesis. It takes advantage of many published ERA reports and briefs, as well as additional MDRC cross-project analyses. In addition, we have benefited from the knowledge gained by researchers in projects related to ERA, particularly work done as part of the United Kingdom's Employment Retention and Advancement Project, the Work Advancement and Support Center Demonstration, the Sectoral Employment Impact Study, and the Enhanced Services for the Hard-to-Employ Demonstration and Evaluation Project. Specifically for this synthesis report, we thank Gordon Berlin, Barbara Goldman, Stephen Freedman, Richard Hendra, Frieda Molina, and James Riccio, who reviewed multiple drafts and offered insightful recommendations. Alexandra Brown provided strong research assistance and helped to coordinate production of the report. Margaret Bald edited the report, and David Sobel prepared it for publication.

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Finally, we extend our deep appreciation to the thousands of parents who participated in the ERA study and gave generously of their time to respond to surveys. As policymakers continue to seek new and better ways to increase employment retention and advancement within low-income families, the lessons gleaned from the experiences of the study's sample members and their families will provide guidance for many years to come.

The Authors

Executive Summary

Many recipients of Temporary Assistance for Needy Families (TANF) and other low-income individuals find or keep jobs for a while, but far fewer remain steadily employed, advance in the labor market, or earn wages that lift their families out of poverty. To address these issues, a number of initiatives have aimed to help low-wage workers stay employed and move up in the labor market. Several such programs, trying different strategies, were studied as part of a multiyear, multisite evaluation called the Employment Retention and Advancement (ERA) project. The project points to a few strategies that succeeded in improving individuals' employment retention and earnings as well as strategies that did not. The report synthesizes the key findings and lessons from ERA.

The ERA Project

During the 1980s and 1990s, much research was conducted about how to help welfare recipients find jobs. However, little of this research indicated how best to foster employment retention and advancement. To help bridge this knowledge gap, the ERA project was launched in 1999 to identify and rigorously test a diverse set of programs designed to promote employment stability and wage or earnings progression among current or former welfare recipients and other low-income individuals. The study was conceived and funded by the Administration for Children and Families in the U.S. Department of Health and Human Services,¹ and the evaluation was conducted by MDRC.

ERA tested 16 programs in eight states and included over 45,000 individuals in its research sample. The synthesis report primarily focuses on 12 ERA programs that were *not* targeting specific groups often considered to be “harder-to-employ,” such as individuals with known disabilities. It focuses on the single parents, mostly women, who comprised over 90 percent of those studied. The 12 core programs targeted diverse individuals, most of whom had a precarious foothold in the labor market. Less than a third had worked for more than 24 of the previous 36 months. Among those who were employed when they entered the study, less than half were working full time. About half of the research sample lacked a high school diploma or a General Educational Development certificate (GED), which limited their training and employment options.

ERA tested a variety of strategies that experts and practitioners hypothesized would have the potential to improve employment retention and advancement. The strategies and ideas tested in the 12 core ERA programs are summarized in Table ES.1. Programs in Los Angeles

¹Supplemental support was provided by the U.S. Department of Labor.

Table ES.1

Key Strategies and Ideas Tested in ERA

Strategies	Ideas	ERA Found Supporting Evidence
Encouraging unemployed individuals to find jobs	A selective approach in job club: Does encouraging seeking a job in a preferred career field work better than quick placement in any job? (One model in Los Angeles)	
	Service continuity, before and after job placement: Does continuity of job coaching starting before and continuing after job entry produce effects? (Salem, Oregon, model)	
Encouraging <i>job</i> stability	Basing services at the work site: Do retention services provided at the job site produce effects? (Cleveland model)	
Encouraging <i>employment</i> stability	Financial incentives: Does providing employment retention-conditioned earnings supplements plus job coaching produce effects? (Texas model)	✓
	For-profit provider (that provided assistance with job-to-job transitions): Does the use of a for-profit provider with close ties to employers produce advancement effects? (Chicago model)	✓
Encouraging participation in education and training	Flexible work mandates: Does reducing or allowing flexibility in work requirements to encourage employed welfare recipients to participate in education and training produce effects? (Two models in Riverside, California)	
Providing individual counseling and social services referrals	Customizing services: Does reducing caseloads to increase individualized attention produce effects? (One model in Los Angeles)	
	Using community-based organizations (CBOs): Do individualized retention and advancement services provided by CBOs produce effects? (One model in Riverside, California)	✓
	Welfare and Work Investment Act (WIA) agency partnerships: Do partnerships leverage expertise, services, networks, and resources, and produce effects? (Eugene and Medford, Oregon, models)	
	Assisting those who had earlier left TANF: Does serving former welfare recipients who left the rolls up to three years earlier produce effects? (South Carolina model)	

and Salem, Oregon, targeted unemployed individuals and began by encouraging them to find specific types of jobs. A program in Cleveland provided services at work sites with high turnover to encourage job stability at that employer. Programs in Texas and Chicago encouraged employment stability, the first by providing earnings supplements, and the second by assisting with participants' job-to-job transitions. Two programs in Riverside, California, focused solely on encouraging participation in education and training to prepare employed individuals for better jobs. Programs in five other sites provided individual counseling and referred people to a variety of services.

The ERA study used a random assignment research design to measure program effectiveness. To estimate the effect or "impact" of the programs, between 2000 and 2004 MDRC assigned targeted individuals at each site either to a program group, eligible to receive ERA services, or to a control group, eligible for other, often less-intensive, services offered by welfare agencies or other providers. Random assignment ensures that the characteristics of the program and control groups in each site are not systematically different. Thus, any differences between the groups that emerged after random assignment can be attributed to a site's ERA program. The study, therefore, estimated the value added of the ERA programs, above and beyond what individuals normally received. Impacts were measured through 2007 (before the start of the recent recession), yielding about three to four years of follow-up, depending on the program. Outcomes measured include employment retention, defined as the cumulative duration of an individual's employment, and advancement, defined primarily as increases in earnings due to either working more hours or getting wage increases. (The specific results presented below focus on earnings.)

Overview of ERA's Results

- **Increases in participation in retention and advancement services beyond control group levels were not consistent and often were not large.**

Engaging individuals in services at levels above what they would have received in the absence of the programs was challenging. For some types of services, this reflected high levels of control group participation; for others, this reflected low take-up of services by program group members. In addition, in some programs a higher priority was placed on having staff spend their time helping newly unemployed participants find new jobs, as opposed to working with those who were employed. The inconsistent and often moderately sized differences between participation levels for the program groups and control groups likely made it difficult for many programs to achieve impacts on individuals' employment retention and advancement.

- **Three of the 12 ERA programs generated consistent increases in individuals' employment retention and advancement.**

The Texas ERA program targeted unemployed TANF applicants and recipients and began services before people found jobs. It offered a monthly stipend of \$200 to individuals who, after leaving welfare, consistently worked at least 30 hours per week, and offered postemployment services. The program was operated by local workforce development boards under contract with nonprofit organizations. For the study, the program was compared with the services of the state's welfare-to-work program. As implemented in one of three Texas cities in the study, Corpus Christi, the program increased average annual earnings by \$640 over the four-year follow-up period, or almost 15 percent relative to control group earnings. (Table ES.1 includes a checkmark in the right-hand column for this program and the other two that produced consistent positive effects. Lack of a checkmark does not indicate that the strategy or idea cannot work but, rather, that ERA did not find supporting evidence for its effectiveness.)

The Chicago ERA program, a mandatory work-focused advancement program, helped people find a better job while they were working. Program services were provided by staff in a private, for-profit firm that had experience placing welfare recipients in jobs and had strong linkages to firms in a variety of industries. For the study, the program was compared with the area's standard welfare-to-work services, which were provided by welfare agency staff and, in contrast to ERA services, were optional while individuals remained on TANF. The Chicago ERA program raised average annual earnings by almost \$500, or 7 percent, relative to the control group level, over a four-year follow-up period.

In the Riverside Post-Assistance Self-Sufficiency (PASS) ERA program, three community-based organizations and a community college were the main providers of a range of individualized services to employed former welfare recipients, including reemployment activities, career development services, referrals to education and training, life skills workshops, support services, and referrals to social services. The program was compared with the community services normally available in Riverside to former TANF recipients. The Riverside PASS program increased average annual earnings by \$870 over a four-year follow-up period, an increase of 10 percent relative to the control group level.

- **Almost all ERA sample members remained poor or near-poor at the end of the follow-up period.**

This was true, on average, even for sample members who participated in programs that produced positive effects on employment, indicating that strategies to promote upward mobility remain elusive. Thus, a continued search for new, potentially more effective strategies is warranted.

Selected Lessons on Strategies to Promote Retention and Advancement

The synthesis report offers many lessons. This section presents selected lessons in one area: the effectiveness of different strategies for fostering retention and advancement. It focuses only on lessons based on findings from the 12 core ERA programs. (The report also offers some lessons on specific program practices that can be used across different strategies, and some lessons based on related research; those are not summarized here.)

- **ERA did not provide evidence that encouraging unemployed individuals to find a job in their preferred field during job clubs, as opposed to any job, yields greater employment retention or advancement.**

One ERA site tested two different versions of a “job club,” a group job search activity designed to help unemployed people find work. In the Enhanced Job Club model in Los Angeles, individuals were urged to seek jobs in their field of interest, based on the theory that this might enable them to stay in jobs longer and ultimately move into better jobs along a career path. This model was compared with a traditional job club model, which emphasized getting jobs quickly, regardless of the field. Implementation research indicated that staff in the two programs did indeed deliver different messages about the types of jobs to seek. The enhanced model, however, did not increase employment retention or advancement over a three-year follow-up period.

- **ERA did not provide evidence that encouraging *job* stability, at least as tried in ERA, is an effective strategy for increasing employment retention or advancement.**

The Cleveland ERA program attempted to help individuals stay in their current job and advance in that workplace. The program targeted low-wage workers in the long-term nursing care industry and offered counseling, peer support groups, and supervisory training at their work sites. Care facilities were chosen randomly either to be program group facilities that offered services, or to be control group facilities without special on-site services. The study compared the experiences of low-wage employees at the two groups of facilities. The ERA program increased participation in services, although overall levels were modest. The program, however, did not increase employment retention or advancement over a three-year follow-up period. While there are several potential explanations, it is possible that staying in the job they had when they entered the program may not have been in the employees’ best interest, and it may have been challenging to advance within their firms.

- **Supporting *employment* stability can be an effective strategy.**

Two of the three ERA programs that succeeded in increasing employment retention and advancement (in Texas and Chicago) encouraged employment stability (steady employment maintained through consistent work but not necessarily in the same job), as opposed to job stability (staying employed in the same job). Furthermore, some of the patterns underlying the positive economic impacts found for the Chicago and Riverside PASS ERA programs provide evidence of the effectiveness of supporting employment stability as opposed to encouraging job stability. The impacts in these two programs were driven by more people moving into new jobs, rather than by more people remaining stably employed at the job they had when they entered the study.

- **Earnings supplements to promote employment retention, ideally coupled with job coaching, can promote sustained employment.**

Past research has shown that supplementing low-wage workers' earnings can promote employment.² The effects, however, tended to fade for the full targeted groups before their eligibility for the supplement ended. Results for the Texas ERA program in Corpus Christi suggest that longer-lasting effects may be attainable. The economic effects of the program, which offered a monthly stipend for employment retention as well as postemployment services, lasted into the final year of the study's follow-up period (the fourth year), well beyond the period during which the incentive was offered.

- **ERA did not provide evidence that a strategy centered on encouraging employed TANF recipients to also participate in education and training will yield increases in employment retention and advancement.**

Two ERA programs in Riverside, California, focused on encouraging newly employed welfare recipients to attend education and training, and one of the programs modified the TANF work participation rules to facilitate that attendance. While the programs increased participation in education and training for a subset of the research sample, the increases did not lead to improvements in employment outcomes for those individuals. Specifically, among sample members who entered the study without a high school diploma or a General Educational Development certificate (GED), the programs increased the proportion of individuals who participated in adult basic education or GED classes. However, the programs generated only small increases in the receipt of credentials and did not increase participation in vocational training or college classes for this group. In the end, the programs did not meaningfully improve employment outcomes for these sample members. Among sample members who entered the

²See, for example, Karin Martinson and Gayle Hamilton, *Providing Earnings Supplements to Encourage and Sustain Employment: Lessons from Research and Practice*, (New York: MDRC, 2011); and Charles Michalopoulos, *Does Making Work Pay Still Pay? An Update on the Effects of Four Earnings Supplement Programs on Employment, Earnings, and Income*, (New York: MDRC, 2005).

ERA study with a diploma or a GED, the two Riverside programs produced little or no increase in participation in education or training (and no positive economic impacts).

- **By themselves, counseling and referrals to services to help people stay employed do not appear to increase employment retention and advancement.**

All the ERA programs included interaction between staff members and clients, as do most employment programs and other social service programs. This staff-client interaction can be defined as the process of program staff working one-on-one with participants to provide a range of services and assistance. It can be a service itself as well as a vehicle for providing other services. Staff-client interaction (sometimes referred to as “case management”) is often looked to as a promising tool to help workers stay in jobs and move up in the labor market. Evidence from ERA, however, suggests that while it may be a necessary ingredient of programs like those studied, it is not sufficient to make a meaningful difference in employment outcomes. It can be effective when combined with other services, such as with earnings supplements, as was the case in the Texas ERA program, or with assistance to quickly help individuals who lost a job find another one, as was done in the Riverside PASS program.

Conclusions and Implications

Encouragingly, the ERA project found that some strategies can improve low-income individuals’ employment and earnings and foster upward mobility. It provided several lessons for the field about promising strategies — as well as those that are less promising — and practices that might be employed in future programs. The effects of the successful programs, however, were generally modest. Furthermore, the majority of the programs tested did not improve employment outcomes, and most sample members remained poor or near-poor at the end of the study.

Thus, a continued search for new, potentially more powerful interventions is needed, particularly ones strong enough to make headway against competing labor market trends that do not support upward mobility for low-wage workers. The report identifies several areas of possible exploration, including combining into a single program several features already shown to be effective in ERA and related studies; adopting a career pathways framework, which aims to move individuals through well-articulated training and employment steps to jobs in high-demand occupations; and providing earning supplements to new groups or in new ways to “make work pay.” Much is left to learn about how best to foster upward mobility for the millions of low-wage workers across the nation and lift them and their families out of poverty.